

Message Text

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43

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

SS-15 NSC-05 AGR-05 PA-01 PRS-01 IO-13 EUR-12 /095 W

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O R 291330Z JUL 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7059

INFO AMEMBASSY SAN SALVADOR

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 6647

E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJ: BRAZILIAN PURCHASE OF EL SALVADOR COFFEE

REF: BRASILIA 6611

1. ON JULY 28, FOREIGN MINISTRY OFFICIAL (PINHEIRO, REF) INFORMED EMBOFF THAT THE MINISTRY, AFTER CONSULTING WITH IBC'S CALAZANS, HAD DECIDED TO INSTRUCT ITS AMBASSADOR IN WASHINGTON TO SEEK AN APPOINTMENT WITH DEPUTY ASSISTANT SECRETARY KATZ TO DISCUSS BRAZIL'S COFFEE POLICIES AND THE QUESTION OF BRAZIL'S ATTEMPTS TO PURCHASE COFFEE FROM EL SALVADOR. PINHEIRO ALSO PROVIDED A COPY OF A PAPER OUTLINING THE POINTS THE AMBASSADOR WOULD MAKE. INFORMAL TRANSLATION OF THE PAPER FOLLOWS.

2. BEGIN TEXT

A) THE BRAZILIAN GOVERNMENT IS SURPRISED BY THE INTERPRETATION WHICH THE UNITED STATES GOVERNMENT GIVES TO THE LIMITED OFFICIAL USE

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POSSIBLE PURCHASES OF SALVADOREAN COFFEE, IN THE SENSE THAT

SUCH A TRANSACTION WOULD BE CONTRARY TO THE SPIRIT AND BASIC CONCEPTS WHICH GOVERN THE INTERENATIONAL COFFEE AGREEMENT.

B) THE IRREFUTABLE EVIDENCE OF BRAZILIAN RESPECT FOR THE SPIRIT OF PRODUCER-CONSUMER COOPERATION IS THAT, IN SPITE OF THE CATASTROPHIC EFFECTS OF THE 1975 FROST, BRAZIL IN THE FIRST-HALF OF 1976 EXPORTED 6.6 MILLION SACKS OF COFFEE, WHICH EQUALS MORE THAT 90 PERCENT OF THE EXPORTS IN THE SAME PERIOD IN 1974 AND 1975, WHEN THERE WERE AMPLE WORLD SUPPLIES. WHAT IS MORE SIGNIFICANT, 2.1 MILLION SACKS WERE SOLD IN THE MONTH OF JUNE ALONE-- ONE OF THE HIGHEST MONTHLY AMOUNTS EVER--EVEN THOUGH COFFEE AUTHORITIES HAD ANNOUNCED AFTER THE FROST THEIR INTENTION TO MAINTAIN AN AVERAGE MONTHLY FLOW OF SALES ON THE ORDER OF ONE MILLION SACKS.

C) THE CONCERN OF THE BRAZILIAN GOVERNMENT IS THAT, WITHOUT ANY ALTERATION IN THE STATISTICAL OUTLOOK FOR SUPPLY AND DEMAND, INTERNATIONAL PRICES OF COFFEE HAVE BEEN SUFFERING A VIOLENT DECLINE IN RECENT WEEKS AS A RESULT OF SPECULATIVE MANEUVERS ON THE NEW YORK EXCHANGE. BRAZILIAN COFFEE AUTHORITIES BELIEVE THAT SPECULATORS, TAKING ADVANTAGE OF OUR WILLINGNESS TO RESPOND IN SUCH A LIBERAL WAY TO FOREIGN DEMAND, HAVE BEEN USING THE CURRENT SATISFACTORY LEVEL OF SUPPLY AS A PRETEXT TO PROVOKE AN ARTIFICIALLY DEPRESSING PRICE MOVEMENT WHICH IS, FOR THAT VERY REASON, UNSUSTAINABLE OVER THE LONG-TERM--THUS CONTRARY TO THE PERMANENT INTERESTS OF STABILITY WHICH WE SHARE WITH THE CONSUMING COUNTRIES.

D) POSSIBLE BRAZILIAN PURCHASES OF COFFEE, OF A VOLUME SUBSTANTIALLY LESS THAN MONTHLY BRAZILIAN EXPORTS, UNDER NO CIRCUMSTANCES COULD BE UNDERSTOOD AS A WAY TO LIMIT WORLD SUPPLY. IF THIS WERE THE OBJECTIVE OF THE BRAZILIAN GOVERNMENT, IT WOULD BE MORE EFFECTIVE TO LIMIT OUR OWN SALES ABROAD.

E) SUCH PURCHASES, WHICH WOULD NOT BE MADE BY IBC BUT BY COMMERCIAL ENTITIES, WOULD SERVE PARTIALLY TO SUPPLY LIMITED OFFICIAL USE

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PRODUCERS OF FREEZE-DRIED INSTANT COFFEE, WHICH HAVE INSUFFICIENT CURRENT AND FUTURE SUPPLIES OF COFFEE. IT IS WORTHWHILE TO NOTE THAT, IN THE PAST, THIS PART OF THE INDUSTRY ACQUIRED COLOMBIAN COFFEE WITHOUT CAUSING ANY INTERNATIONAL ASTONISHMENT. IT IS ALSO CLEAR THAT THE OPERATION HAS A COMPLETELY COMMERCIAL JUSTIFICATION BECAUSE THE PRODUCT WILL BE PROCESSED INTERNALLY AND LATER EXPORTED. END TEXT.

CRIMMINS

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Message Attributes

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Draft Date: 29 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
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Margaret P. Grafeld
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